

# UAC INSURANCE MUTUAL

## *Board of Trustees Meeting*

Thursday, March 21, 2002, 9:00 a.m.  
Utah Association of Counties Board Room

A G E N D A

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9:00 Continental Breakfast

Call to Order Gary Herbert

Review of Board Members Absent Gary Herbert

Approval of February 21 Minutes Gary Herbert

Board of Trustees—Weber County Representation Gary Herbert

Broker Report John Chino

Director's Report Shawn Guzman

Summary of Financial Statements Shawn Guzman

Set Date and Time for Closed Meeting  
to Discuss Character, Professional Competence, Physical/Mental Health of an Individual

Other Business

11:00 Adjourn



## BOARD of TRUSTEES MEETING

### M I N U T E S

March 21, 2002, 9:00 a.m.

Utah Association of Counties Training Room

#### BOARD MEMBERS PRESENT

Gary Herbert, *President*, Utah County Commissioner  
Dan McConkie, *Vice President*, Davis County Commissioner  
Lynn Lemon, *Secretary-Treasurer*, Cache County Executive  
Kay Blackwell, Piute County Commissioner  
LaVar Cox, Millard County Commissioner  
Ed Phillips, Millard County Sheriff  
Royal Norman, Box Elder County Commissioner  
Tex Olsen, Sevier County Commissioner  
Gene Roundy, Iron County Commissioner  
Kent Sundberg, Utah County Deputy Attorney  
Steve Wall, Sevier County Clerk-Auditor

#### OTHERS PRESENT

Ken Bischoff, Weber County Commissioner  
Steve Baker, Davis County Personnel Director  
Brent Gardner, UAC Executive Director  
Shawn Guzman, UACIM Director  
Sonya White, UACIM Administration  
John Chino, Account Manager, Arthur J. Gallagher

#### CALL to ORDER

Gary Herbert called the meeting to order and welcomed those in attendance.

#### REVIEW of BOARD MEMBERS ABSENT

All Board Members were present at this meeting.

#### APPROVAL of MINUTES

The minutes of the Board of Trustees meeting held February 21, 2002 were previously sent to the Board Members for review. Kay Blackwell made a motion to approve the February 21 meeting minutes as written. Dan McConkie seconded the motion, which passed unanimously.

#### BOARD of TRUSTEES—WEBER COUNTY REPRESENTATION

In the election at the November 2001 Annual Membership Meeting, one of the largest contributing counties lost its representation on the Board of Trustees. This has caused some consternation as to the election process and whether the Board is balanced, diverse and fair in its representation. The Board has always gone to extreme lengths to accommodate the requests of its members while managing the Mutual in an effective manner. Now that SB 48, Public Agency Insurance Mutual Amendments, has passed, the composition of the Board of Trustees can be restructured. The following suggestions were made as scenarios for the restructuring of the Board and for discussion at the next meeting:

1. Create a permanent Board position for either the three largest contributing counties or the three counties with the largest exposure.



2. Remove the At-Large positions on the Board and replace them with appointments from Davis, Utah and Weber Counties.
3. Voting based on population.
4. Change the number of First, Second, Third Class representatives on the Board to four (4) and the Fourth, Fifth, Sixth Class representatives to two (2).

Any other scenarios that Trustees may come up with before the next meeting will also be considered.

Tex Olsen recommended that the Board look at the three existing appointments on the Board—Chairs of the Law Enforcement Committee, Litigation Management Committee and the Personnel Committee. The appointed Trustees should have a two-year term, as do the elected Trustees. Another consideration would be to have each of the Committees recommend a member for the Board to appoint. Dan McConkie made a motion to amend Article 5.3 of the Bylaws to read, *Three appointed Trustee positions shall be reserved for a member of the Litigation Management Committee, the Law Enforcement Committee and the Personnel Committee, which positions shall be appointed by the Board for two-year terms.* Tex Olsen seconded the motion, which passed unanimously. This amendment will be presented to the members for approval at the November membership meeting because notice requirement for April cannot be met.

### BROKER'S REPORT

When questioned about the structure of other Pool Boards, John Chino explained that typically a permanent seat is kept for the largest members. Not because of political reasons but for good business—a larger exposure base has more marketing options than a smaller exposure base. John also replied to a question as to whether other Boards are meeting monthly. Most meet every other month even those Boards having multiple pools—workers comp, property, casualty, health, etc. UACIM is running so well that the Board may want to consider meeting every other month.

John reported that the final Lloyds premium for the 14 Flood Zone A properties is \$28,025. The initial estimate was \$40,000. Properties can always be added if members acquire any in a Flood Zone A.

Shawn Guzman has asked that Gallagher make a 30 minute Tenant User Liability Insurance Program presentation to the Insurance Coordinators at the April 10 Conference in Park City. Bill Cody of Entertainment National, carrier of TULIP, will also be present at the meeting. This is a market that a good working partnership needs to be maintained so having Bill present is a good opportunity for the Mutual.

John explained that Shawn shared the 2001 annual financial report with him this morning, and in light of last month's discussion regarding the fourth-quarter broker review, Gallagher has negotiated the attachment point for the Mutual so that the Mutual can continue to grow. With the hard insurance market, counties that are not members of the Mutual are suffering. This is a good time to recruit nonmembers.

### DIRECTOR'S REPORT

SB 48. As mentioned earlier, SB 48, Public Agency Insurance Mutual Amendments, passed with no dissenting votes in the House. Exemption from the Insurance Department's strict regulations have been tried twice before but the Mutual was able to overcome all hurdles along the way this time. Brent Gardner has met with representatives at the Governor's Office who have promised they wouldn't consider a veto without first contacting the Mutual. This legislation will save the Mutual monies in accounting and auditing expenses.

Personnel Management Act. The limit of employees has changed in the Act to 200. Any county that was in compliance must stay in compliance. Shawn will be updating the counties on these changes at the Insurance Coordinators Workshop on April 10.

Workers Comp. Emery County requested that the Board again look at the possibility of a workers comp pool. The County's premiums have continued to increase substantially over the past three years. John Chino explained that medical inflation hit the workers comp market before the property and casualty market and that if the premium history is more than the loss history within the counties then it may be worth considering but the workers comp market is very volatile at this time. Shawn explained that during the legislative session the Mutual agreed that the option of a workers comp pool would not be visited this year. Therefore, it was recommended that the Mutual wait before revisiting this coverage for its members. There may be an agreement between the Workers Comp Fund of Utah, Utah Local Governments Trust and the counties. Counties may be able to go directly through the Fund to save money—Shawn will research.



## SUMMARY of FINANCIAL STATEMENTS

Now that the audit is complete and the annual statements have been filed with the Insurance Department, Shawn Guzman explained, an Audit Committee meeting will be scheduled with the auditor and actuary and a report given to the Board. Weber County has asked to attend the Committee meeting. The Board directed the Audit Committee Members to look at an independent financial audit. Right now, Larson & Company is the accountants and auditors for the Mutual.

Shawn reviewed the December 2001 financial statements compared to the January 2002 financial statements with the Board. Page two shows a surplus decrease of \$88,176 from December to January because of pre-paid contributions in December and reinsurer premiums paid in January. Net Income for January 2002, page three, is \$32,717 lower than January 2001 at \$4,573 due mostly to low interest rates. Surplus amount for January is at \$5,605,178, page four, an \$88,176 decrease from December. Surplus decreases at the first of the year because this is when most of the expenses are paid. Currently, \$2,000,000 of surplus is held jointly with the Utah State Insurance Department and are restricted funds. After the effective date of SB48 (July 1, 2002) the restriction will be removed. The first page of the supplementary schedules shows the statutory budget to actual. The Board has budgeted \$300,000 for investment income but actually received \$20,614. If interest rates do not go up, the budget will need to be adjusted. Even with today's market, low interest rates and not collecting over \$200,000 for the 2002 loss fund, Shawn feels the Mutual will continue to make a profit.

## SET DATE and TIME for CLOSED MEETING

A closed meeting was not set. There were no issues dealing with the character, professional competence, physical or mental health of an individual.

## OTHER BUSINESS

The next Board of Trustees meeting is scheduled for Thursday, May 16, 2002, 9:30 a.m. at the UAC Building.

Approved on this 27 day of June, 2002



Lynn Lemon, UACIM Secretary-Treasurer, Cache County Executive





**M** UTAH ASSOCIATION  
OF COUNTIES  
INSURANCE MUTUAL

March 13, 2002

Commissioner Camille Cain  
Commissioner Kenneth Bischoff  
Commissioner Glen Burton  
WEBER COUNTY  
2380 Washington Boulevard, Suite 360  
Ogden, UT 84401

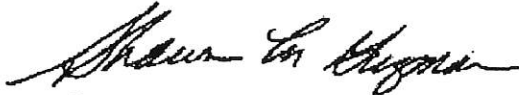
RE: UACIM Board Item for Discussion

Dear Commission:

Enclosed with this letter is the agenda of the upcoming UAC Insurance Mutual Board of Trustees meeting scheduled for Thursday, March 21, 2002 at 9:00 a.m.

It has been expressed that Board representation from Weber County would be helpful. Therefore, the Board has scheduled this item on their next agenda.

Sincerely,



Shawn M. Guzman  
UACIM Director

Enclosure

c: Dave Wilson, Weber County Deputy Attorney



A proposal of the Utah Association of Counties Insurance Mutual Board of Trustees to make technical and stylistic changes to the Amended Bylaws for the Utah Association of Counties Insurance Mutual. The proposed changes were approved by the Board of Trustees at the Board of Trustees meeting held on December 13, 2001. The proposed changes: 1) Increase the Board of Trustees to twelve members from the current eleven by adding the Chair of the Personnel Committee as an appointed Trustee; 2) Specify that new Trustees take office at the first meeting of the calendar year after they are elected (elections take place at the annual meeting held in November); 3) Create a nominating committee for Trustee positions; 4) Specify who can nominate persons for Trustee positions; 5) Specify the procedure in the case of a tied vote for Trustee positions; 6) The number of Trustees that constitute a quorum from six to seven; and 7) Make stylistic changes to Articles 5 and 6 of the Bylaws. The proposed language changes are underlined, and the strikeouts indicate language to be deleted.

## **ARTICLE 5. Board of Trustees.**

- 5.1 The Board shall be composed of ~~eleven~~ twelve persons, nine of which shall be elected by the Members (elected Trustees) and three of which shall be appointed (appointed Trustees).
- 5.2 No person convicted of a felony may serve as a Trustee.
- ~~5.25.3~~ Each Trustee shall be an elected or appointed officer or an employee of a Member. At least one Trustee shall serve on the Board of Directors of the Utah Association of Counties. Three elected Trustees shall be representatives from first, second, or third class counties and three elected Trustees shall be representatives from fourth, fifth or sixth class counties, as defined in Utah Code Ann. §17-16-13. Three ~~of the remaining~~ elected Trustees shall be elected at large. ~~The final~~ Three appointed Trustee positions shall be reserved for the Chairs of the Litigation Management Committee, ~~and the Chair of the Law Enforcement Committee, and the Personnel Committee,~~ which positions shall be appointed by the Board. ~~No person convicted of a felony may serve as a Trustee.~~
- ~~5.35.4~~ Election of Trustees shall take place at the annual meeting of the Members. Elected Trustees shall assume office at the first Board meeting of the calendar year following their election.
- ~~5.45.5~~ Terms of the elected Trustees shall be two-year overlapping terms.
- ~~5.55.6~~ The Board of Trustees shall elect three Trustees to serve on a Nominating Committee at the first Board meeting of each calendar year. The Nominating Committee shall solicit nominations for available elected Trustee positions. Any elected official of a Member or any Trustee may nominate eligible persons to run for available elected Trustee positions. Nominations will be received at the UACIM Mutual office no later than 14 30 days prior to the meeting at which the election is scheduled. UACIM The Mutual will verify that each person-nominated nominee is willing to serve if elected before placing that persons name on the ballot, forwarding the nominations to the Nominating Committee. The person conducting Trustee elections shall also call for nominations from the floor and accept such nominations provided that the nominee expresses, or has expressed in writing, a willingness to serve if elected. The Nominating Committee shall review the nominations and select by a majority vote not more than three names to be placed on the ballot for each available elected Trustee position. A person may not be nominated and placed on the ballot for more than one available elected Trustee position. In the event that no nominations are received for one or more available elected Trustee positions, the President of the Board of Trustees can solicit nominations from the floor on the following conditions:
- a. The nominee is eligible to serve as a Trustee under Subsections 5.2 and 5.3 of this Article; and
- b. The nominee, if present, expresses a willingness to serve, or, if not present, the Mutual has verified that the nominee has expressed in writing a willingness to serve.
- ~~5.65.7~~ In the event of a tie vote for elected Trustee positions:
- a. If two nominees are running for the same elected Trustee position, the President of the Board of Trustees may conduct a coin toss when the votes are tied.
- b. If three nominees are running for the same elected Trustee position and two of the three nominees have an equal and highest number of votes, the President of the Board of Trustees may call for a revote between the two nominees receiving the equal number of votes.

~~5.75.8~~ A vacancy shall occur on the Board when a Trustee:

- a. Submits a written resignation to the Board.
- b. Dies.
- c. Is no longer an elected or appointed officer or employee of a Member.
- d. Fails to attend three consecutive regular meetings of the Board without the Board having excused such absences except that such additional absence or absences shall be excused for temporary mental or physical disability or illness.
- e. Is removed by the Members pursuant to Article 4.3.
- f. Is convicted of a felony.

~~5.85.9~~ Any vacancy in the position of an elected Trustee may be filled by majority vote of the remaining Trustees until the next annual meeting of the Members, at which time the Members shall elect a person to fill the vacancy for the unexpired term.

~~5.95.10~~ To the extent permitted by law, Trustees may be reimbursed for expenses incurred in the performance of their duties, as authorized by the Board.

~~5.105.11~~ Each Trustee must be a resident of Utah. "Inside directors" may not constitute a majority of the Board, as provided by Utah Code Ann. §31A-5-407.

~~5.115.12~~ Subject to the limits described in Article 3.6, the powers of the Board shall include, but not be limited to, the powers to:

- a. Delegate, by resolution adopted at a meeting of the Trustees and specifically defined in the written minutes of the Trustees' meetings, authority for specific functions to the Administrator, but only to the extent permitted by the Code.
- b. Establish premiums, pursuant to guidelines adopted by the Board from time to time.
- c. Serve as the policy-holder of any group policies or plans.
- d. Determine the methods of claim administration and payment; provide for claim experience for the Members collectively or separately; and establish claim procedures and conditions to be met prior to the payment or defense of a claim.
- e. Jointly self-insure or obtain reinsurance or excess insurance (specific or aggregate), or any combination thereof, or otherwise provide for the funding of coverages provided by or through the Mutual, as the Board deems appropriate.
- f. Establish the duties of the Administrator and Director of the Mutual.
- g. Provide for the administration of the moneys of the Mutual, for the manner of payments to the Mutual, and for payment of all expenses of the Mutual; establish standards for the accountability of all receipts and disbursements of the Mutual; and establish procedures for safekeeping, handling, and investing such monies received or paid.
- h. Acquire, lease, hold, and dispose of real and personal property.
- i. Exercise the full power and authority of any Member of the Mutual when requested to do so by the Member's governing body.
- j. Provide for necessary activities to accomplish the purposes of the Mutual.
- k. Do any act permitted by law and not in conflict with these Amended Bylaws, the Amended Interlocal Cooperation Agreement, or the Articles of Incorporation of the Mutual.
- l. Provide for an independent audit of claim handling procedures, payments, and overall operations of the Mutual, at such times as the Board may determine.

- m. Establish loss reduction, prevention and risk management policies, procedures, and requirements for Members of the Mutual.
- n. Adopt and adjust the coverages provided through the Mutual in concurrence with excess insurers and/or reinsurers.
- o. Enter into contracts as necessary or appropriate for the operation of the Mutual.
- p. Appoint committees from time to time, as the Board considers appropriate; subject to the requirements of Utah Code Ann. §31A-5-412 (1994).
- q. Approve a list of attorneys or firms of attorneys authorized to represent Members in claims covered by or through the Mutual.
- r. Obtain the services of agents, attorneys, brokers, consultants, employees, and service providers as necessary or appropriate for the operation of the Mutual.
- s. Provide risk management services and educational and other programs related to risk management.
- t. Exercise all powers of the mutual except those powers reserved to the Members, and all powers necessary and proper for the operation of the Mutual and implementation of the Mutual, subject to the limits of the Amended Interlocal Cooperation Agreement, the Articles of Incorporation, Amended Bylaws, and the Code. The Board is responsible for all operations of the Mutual.

5-125.13 Subject to the limits of the Code, the Board shall:

- a. Perform all duties required by the Code, the Amended Interlocal Cooperation Agreement, the Articles, and these Amended Bylaws.
- b. Obtain and provide to Members at least annually an audit of the finances of the Mutual performed by an independent certified public accountant.
- c. Provide for at least quarterly financial statements to account for income, expenses, assets and liabilities of the Mutual.
- d. Provide at least annually for an actuarial review of the Mutual.
- e. Adopt a budget annually and report the budget to the Members.
- f. Require that fidelity bonds, in an amount to be determined by the Board, be in effect for the Administrator, claims service provider and its employees, and every other person having access to moneys of the Mutual.
- g. Contract with Utah Association of Counties for administrative and management services, including a reasonable fee approved by the Board and Utah Association of Counties to cover the cost of the services so provided.
- h. Appoint an Audit Committee, as provided in Utah Code Ann. §31A-5-412.

## **ARTICLE 6. Officers, Meetings, Procedures.**

- 6.1 The principal offices of the Board shall be: president, vice-president and secretary-treasurer. The principal offices shall be held by three separate natural persons. Officers shall be elected by and from among the Trustees, at the first Board meeting following each annual meeting of the Members. The Board shall establish the powers and duties of each officer, consistent with these Bylaws, the Agreement and the Articles of Incorporation of the Mutual. All Members of the Board shall have full voting rights. The president shall preside over meetings of the Board and of the Members and shall perform such other duties as may be prescribed from time to time by the Board and the Members. The vice-president shall exercise the powers of the president in the absence of the president.

- 6.2 The Board shall fix the date, time and place of regular meetings that are scheduled in advance over the course of a year. Meetings may be called by the president, or by any five Members of the Board, by written notice mailed at least ten days in advance to all Trustees or by unanimously executed waiver of notice. Emergency meetings of the Board may be held to consider matters of an emergency or urgent nature, after an attempt has been made to notify all Board Members and a majority votes in the affirmative to hold the meeting. Notice, including public notice, of all meetings and the agenda shall comply with applicable laws of the State of Utah.
- 6.3 ~~Six~~ Seven Trustees shall constitute a quorum to do business. All actions of the Board shall require a quorum and a majority vote of the Trustees present, except where a different vote is required by these Bylaws.
- 6.4 The Board shall adopt such procedures as it deems necessary or desirable for the conduct of its business.
- 6.5 One or more or all Trustees may participate in any meeting of the Board by means of a conference telephone or similar communications equipment by which all persons participating in the meeting can hear each other at the same time. Participation by such means shall constitute presence at the meeting.
- 6.6 The Board shall follow the most recent edition of Roberts Rules of Order, except that the laws of the State of Utah, the Articles, and other specific provisions of these Bylaws shall prevail in the event of any conflict with Roberts Rules of Order.